

Hello, my name is Steven Carlson. I am a manager at Warehouse Wines and Liquors in Danbury, and I am once again here to argue against drastic and damaging changes being proposed to our industry, this time via HB 7184 and SB 647.

In regards to HB 7184, there are several sections that are of great concern. First among these is Section 3(a), in which the language has been modified so that any person or entity can control as many as on-premise licenses, up from the current rule of five. As opening and maintaining a retail establishment is an expensive business, and this business is one that often operates on very slim margins, it stands to reason that the main beneficiary of such an expansion of the current law would not be the small-business owners that comprise the backbone of the industry in the state but larger conglomerates such as Costco and Total Wine. This on its face is troubling enough, but it becomes genuinely alarming upon combination with the change of language proposed in Section 1, wherein the number of people per permit in a town is bumped up from twenty-five hundred to five thousand, thereby immediately lessening the number of available permits, both currently and in the future, by a significant amount. Increasing the number of permits a licensee can hold while simultaneously reducing the number of permits in total can only lead to consolidation of industry power in the hands of the deep-pocketed entities that can afford it - in other words, the same chilling effect that favoritism towards big-box stores have had across a number of other sectors of the retail market.

Also of concern is Section 10(a)(2), which moves to allow out-of-state retailers to ship direct to consumers. While I appreciate the subsequent offering in Section 11 of allowing in-state retailers to ship to out-of-state consumers, thus allowing for a reciprocal arrangement, the fact of it remains that to allow out-of-state entities to compete with in-state retailers without adhering to the laws by which we are bound. It seems counterproductive to allow any retailer, even one in another market, to be able to offer goods direct to consumer conceivably at prices which would be against the law for in-state retailers to match. This idea likely needs a lot of more thought and research about the specific nature of our marketplace and how that market would be affected before being proposed.

This brings us to the biggest argument I have against this bill, which lies in Section 4(c). Our previous governor spent the entirety of his term fighting to eliminate the minimum-bottle pricing rule, a rule which encourages healthy competition and protects against predatory pricing practices by larger entities. I and a number of other people submitted arguments against it every time, to the point where last year's hearing was hosted by a committee that mostly knew the arguments by heart from having heard them so many times. So I can recognize legislation with this intent even if it comes in other forms. Increasing the number of items that can be sold below cost from 1 to 20 seems contrapuntal to the laws already on the books because it is contrapuntal - 20 items weakens the whole idea of minimum pricing to a mere suggestion, something to be adhered to when it's convenient. But the real time bomb in the proposed bill is the shift in language from "stock-keeping item" to "brand and size," which implies that if I were to register, say, Smirnoff 750mLs at 10% below minimum, I could then sell every Smirnoff 750mL at this price. Every flavor, every iteration, no matter - by the language in the statute, I would be

within my rights. That's 36 distinct items below cost right there, far beyond the proposed 20 already, and I would still have 19 more choices to go. This is nothing but an attempt at a soft repeal of the minimum pricing statute, and I would respect it more if it was presented honestly. As it stands, I have to come out vociferously against this portion of the proposed legislation - as I have argued in the past, the main effect of the repeal of minimum pricing will be to harm, possibly unto closing, the numerous small businesspeople making their living owning and operating neighborhood stores for the benefit of a few large corporate chain entities. A brand like Total Wine has the money and resources to weather selling any number of items below their cost for a number of reasons; a single-owner 800-square-foot neighborhood store will not have access to those same resources, whether money or product, and recent history in other industries demonstrates quite handily that their inability to compete will be their death knell. In a time where the state of Connecticut is weathering a turbulent economy, it strikes me as ill-advised to sacrifice the livelihoods of local citizens and taxpayers to the wishes of a small number of out-of-state conglomerates, one of whom has already cost the state an enormous amount of money in legal fees through petulant lawsuits. It is my opinion that effecting legislation that could result in the closure of a myriad of small businesses, thereby reducing tax revenue and increasing unemployment, is an ineffective way to try and boost the economy.

The remainder of HB 7184, pertaining as it does mostly to farm wineries and breweries, I have no issues with, and I hope that, should the offending passages of this bill be struck as I believe they deserve to be, that in future we can find a way to deal with the laws governing on-premise accounts and those governing our many fine local artisans, a good number of whom I happily support in my establishment, via separate bills.

My objections to SB 647 are mostly concurrent with what I've said previously - five is better than twenty, especially as the language of the statute remains otherwise unchanged, but still smacks of an end-run around on-the-books laws designed only to help companies that do not in any way need the help - but I would also like to add an objection to Section (7) of this bill, inasmuch as while I recognize the convenience of being able to grab a six-pack at Target or Wal-Mart or whomever, I still maintain that no beer that will be sold in any of these locations will be anything that wouldn't have been sold in-state somewhere else, and to allow these entities - again, all large multinational corporations with plenty of capital - to profit at the expense of local merchants is, I think, ill-advised.

In conclusion, I hope that I have made it clear why the above cited passages in the bills up for debate would be irreparably damaging to a large portion of the Connecticut retail economy, and I hope you see why it would be in the industry's best interest to strike these passages. Thank you very much for your time and for affording me the opportunity to be heard.